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REPORT OF THE EXPERT MEETING ON ELECTRONIC COMMERCE AND TOURISM

Held at the Palais des Nations, Geneva,
from 18 to 20 September 2000

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I. RECOMMENDATIONS [1]

1. Individual experts expressed their views on policies and strategies to be adopted by developing countries in order to increase their participation in electronic commerce in tourism and on the possible role of UNCTAD and other international organizations in realizing the development benefits of those policies and strategies. The following is a summary of recommendations made by various experts. Not all the views were necessarily shared by all the experts; consequently, the summary reflects a wide diversity of views.

A. Recommendations to Governments and enterprises

2. Solutions for e-commerce in tourism should also address broader issues of electronic commerce in general, and their effects and benefits for development.

3. Ensure that e-tourism is considered alongside an appropriate multisectoral strategy for improved Internet access and telecommunications infrastructure, and use this strategy to influence investment in telecommunications.

4. Liberalize telecommunications and Internet services in order to attract new investment, reduce prices and improve the quality of service.

5. Create and continually update local content on the Internet in local languages and languages of the most important tourism consumers in order to provide information and databases on tourism experiences and attractions and general information about destinations.

6. Review available research, and conduct additional research when necessary, on e-commerce in tourism in order to provide information on market trends, consumer needs, website use, demographic profiles and the impact of non-availability of on-line payments and other information that may support the development of a sustainable tourism industry.

7. Implement appropriate mechanisms in developing countries for the safer use of electronic payments in tourism transactions at the local, regional and global levels.

8. Promote tourism that is sustainable in a social, cultural, environmental and economic sense. To this end, develop partnerships and links among all parties in the tourism supply chain, including government, destination management organizations (DMOs), local tourism service providers, travel agents and other intermediaries, global distribution systems (GDSs), travel portals and the information and communication technology (ICT) sector, as well as the local community and foreign suppliers.

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[1] As adopted by the Expert Meeting at its closing plenary meeting on 20 September 2000.

9. Integrate new e-tourism channels into traditional and non-traditional distribution channels and foster the development of special-interest tourism websites, for example for eco-tourism and cultural tourism. These channels could be supported by the development of a common product database to share development costs and provide impartial information.

10. Develop a national vision, plans and policy guidelines on e-tourism and involve industry players and local communities in developing tourism strategies and products within the context of overall tourism marketing and development strategies.

11. Establish appropriate laws and regulations and service standards in order to build trust and consumer confidence and to ensure privacy and the protection of consumers and intellectual property rights. Also, cooperate in setting up an international framework to protect travellers conducting transactions on the Internet.

12. Call upon Governments to make joint efforts to ascertain whether the international e-tourism market is working in a way that does not promote unfair or anti-competitive practices which constitute barriers to the tourist industry for developing countries.

13. DMOs at all levels should be strengthened in order to be in a better position to coordinate the relevant public and private actors and thus be enabled to play a broader role. They will be essential for positioning developing countries to be able to take advantage of new ICTs. In order to be effective, DMOs have to be representative of relevant stakeholders at the local level, institutionally established and provided with the necessary human, financial and logistical resources. Ultimately, this could allow developing countries to benefit from vertical cooperation and integration.

14. With respect to e-commerce, DMOs should play a broader role. They should promote destination markets in key tourism portals, search engines and gateways and also list destinations under as many links as possible so that descriptors are not limited to, for example, tourism or names of the country alone.

15. Build and enhance destination brand image in order to improve consumer awareness and confidence, and reflect this in any web strategy.

16. Develop capacity building through training and basic education in relevant fields, for example informatics and telecommunications, and conduct awareness campaigns about e-tourism.

17. Governments and donor agencies should stimulate activities in e-commerce through grants, tax incentives, special credit lines and other seed funding arrangements, and empower DMOs with technology and financial resources.

18. On-line transactions must be combined with the development of physical tourist attractions, satisfactory product fulfilment and supply of support services, such as banking,

insurance, transport and customs. Since not all suppliers will be ready for on-line transactions, destination strategy should include off-line transactions support, local call centres and use of local knowledge.

19. Traditional travel agents and other intermediaries should transform themselves by adopting new information technologies and enhancing their expertise and creativity, so as to improve their efficiency and ensure their continuity.

B. Recommendations to UNCTAD

In cooperation with other appropriate bodies UNCTAD should:

20. Analyse the effect that tourism-related e-commerce has had or will have on development, and development policies. The objectives of this analysis should include identification of positive, negative or indifferent effects, as well as their causes, and formulation of recommendations for maximizing the development benefits of e-commerce.

21. Disseminate information to developing countries on approaches and elements of government policies on e-tourism, taking into account successful experiences in the developing and developed countries.

22. Give priority attention and support to the development of sustainable e-tourism in developing countries.

23. Stimulate exchanges of experiences among Governments and tourism enterprises of developing countries on the one hand, and Governments and enterprises of other countries on the other hand, and disseminate to developing countries information on experiences in e-tourism through website and periodic publications, inter-organizational cooperation, etc.

24. Signpost and carry out case studies and analysis of e-commerce in tourism, including problems of on-line payments, trust-building issues such as encryption and electronic certificates or signatures, and new technologies such as interactive television and cellphones that can support e-commerce; and collaborate with tourism research centres and academic institutions in order to promote capacity building and knowledge in e-tourism in developing countries.

25. Encourage the adoption of open data standards, e-signatures and new Internet developments (e.g. new top-level domains such as .geo) where these would assist in opening up the e-tourism market place, taking into account in particular the development dimensions of the sector; and ensure that e-commerce serves equitably the needs of developed and developing nations, and can contribute to social and environmental accountability within the tourism industry.

26. Promote exchanges on how to increase the effectiveness of DMOs.

27. Suggest possible arrangements for UNCTAD to act as an incubator for e-commerce and small and medium-sized e-tourism enterprises through appropriate United Nations programmes.

28. Examine ways to promote the visibility of tourism portals in developing countries and possible arrangements for the establishment of a global, central tourism portal for the benefit of developing countries.

29. Assist in the promotion of partnerships between DMOs in developing countries on the one hand, and intermediaries and origin country DMOs on the other hand, and encourage joint marketing within DMOs in developing countries.

30. Develop capacity building through training and basic education in relevant fields, for example informatics and telecommunications, and conduct awareness campaigns about e-tourism.

II. CHAIRPERSON'S SUMMARY OF THE EXPERTS' INFORMAL DISCUSSIONS

31. The tourism industry is in a very dynamic phase of development as more people will travel more frequently to more destinations, and will want more diverse travel experiences. Projections for 2003 indicate a 2½-fold increase in on-line bookings compared with the year 2000. For many developing countries tourism is a major source of revenue and hard currency, and a sector in which many enjoy a clear competitive advantage, which therefore provides tremendous opportunities for growth.

32. Against this background, the main theme of the discussions at the Expert Meeting was the opportunities afforded to the tourism sector by the new information technologies, as well as the inherent difficulties facing business operators. The informal discussions focused mainly on three topics: the experience of tourism operators that use the Internet in developing countries; the role of destination marketing organizations; and information and communication technology. Under each topic, strategic options for developing countries were set out and discussed by the experts.

33. The first topic was illustrated by several companies that presented their e-business strategies. Tourism companies use the Internet in a variety of ways. In particular, some operate as traditional high-street travel agencies and generate additional sales via their websites. Others are purely virtual tourism portals, and function as a new breed of travel company, targeting not only the final consumer but also service providers and travel agents. Typically, these companies provide a wide range of services, including helping consumers to find the best price for tourism products by maintaining a large on-line catalogue; securing on-line reservations and sales on behalf of service providers; and powering the websites of travel agents.

34. The main obstacles encountered by these companies were identified. First and foremost, the cost of technology and the Internet connection was still very high, especially in countries where the State Telecom had a monopoly. Consequently, travel agents expressed regret that only a minority of the service providers and consumers in their countries were able to access the Internet, which made it all the more difficult for them to maximize the benefits of their e-business strategy. It was hard to convince businesses of the usefulness of adopting the Internet and Intranet as a business medium at present costs.

35. In addition, the costs of maintaining the websites were high, particularly in view of the need to continuously update the information, to keep up with the fast-changing technology, to attain a high level of visual appeal through an attractive graphics environment and to manage replies to e-mail queries. Marketing the website was also difficult, as it required registering with an ever-increasing number of search engines and correct positioning towards tourism portals in order to acquire traffic.

36. Another important obstacle was that, in many countries, there were no means of on-line payment under local regulations. In these countries, e-businesses either bypass the local banking system or move their on-line services to countries where such payment is possible. Consequently, tourism revenues are not necessarily channelled in full to the destination market. Developing countries were thus encouraged to adopt on-line payment techniques and supporting legislation.

37. Some of the experts expressed regret at the lack or the inefficiency of a Tourism Board that could market a country as a tourist destination.

38. The key factors for success and lessons learned by enterprises were identified. First, it was important to choose scalable technology, to be able to publish local content and to target the right audience through the most appropriate technological means. One of the experts presented his company business model, which was based on the simultaneous utilization of different technologies: the Internet and e-mail messaging were complemented by a cable television channel, wireless communication (WAP) and the Short Messaging System (SMS).

39. Another key factor for success was ownership of the inventory, i.e. the pre-buying of hotel rooms and other tourism services. This made it possible to have large discounts and quality control. Most important of all was investing in human capital, which required extensive technical training and also capacity-building in the wider sense.

40. The second topic discussed was the role of destination marketing organizations (DMOs). DMOs, as organizations dedicated to a specific destination, are inherently different from tourism intermediaries without a dedicated destination focus and thus have a well-defined role to play. The experts agreed that DMOs' traditional area of competence was the promotion of their destination by developing public relations activities, building credibility and trust among consumers, and serving as an on-line tourism information centre.

41. The experts stressed that currently only a small percentage of tourism revenues estimated to be as low as 30 per cent in some cases actually remained in the hands of service providers in developing countries. One of the experts subsequently qualified this figure by observing that much of the remaining 70 per cent was made up of international travel costs. Developing countries were unlikely to be able to retain these, unless they operated international flights. Whatever the case, the experts agreed that DMOs and service providers in developing countries could use the Internet to increase their share of tourism revenues by cutting out intermediaries that did not necessarily add value to the product. This meant enhancing the long-term profitability of private sector operators by strengthening their bargaining power vis-à-vis large tourism operators. In turn, increased revenue retention would allow DMOs not only to act as an operational tool for information and reservation but also to "manage" their destinations. This required a long-term understanding and careful management of the social, cultural and environmental impact of tourism.

42. In this connection, DMOs should act as catalysts in developing a partnership among all parties in the tourism supply chain – including the Government, local tourism service providers, travel agents and other intermediaries, global distribution systems (GDSs), travel portals and the information and communication technology (ICT) sector, as well as the local community and foreign suppliers – with the common goal of increasing revenue retention and preserving the long-term quality of the destination.

43. With the advent of the Internet, the idea of a partnership becomes all the more important in view of the need to avoid excessive fragmentation of information across too many websites. DMOs could play an important role in this respect by developing consistency across e-commerce platforms used by tourism producers and by establishing good links with key tourism portals, search engines and gateways.

44. The experts stressed that there were many sorts of DMOs. In particular, these organizations could be governmental, semi-private or private: there could be no single strategy for all DMOs, and it was necessary to explore as many alternatives as possible. Depending on local conditions, they could – in addition to providing information on their destination – deliver e-services directly, i.e. making on-line secure reservations for local service providers. Finally, a potential role for them was to promote awareness of technical developments relevant for e-tourism service providers; provide training for their affiliates and negotiate with banks and financial operators in order to reduce banking costs for on-line payments. In collaboration with the private sector, DMOs could also develop special-interest tourism, for example eco-tourism and cultural tourism, that could be particularly well suited for marketing on the Web.

45. The DMOs present at the Meeting deplored the high cost of Internet connections, the difficulty of access from large parts of their countries and the lack of an "Internet culture" among tourism service providers. Furthermore, they stressed that in addition to endeavouring to increase their presence on the Web, it would be crucial for developing countries to develop physical tourist attractions and support services, such as banking, insurance, transport and customs.

46. In order to be effective, DMOs needed to be institutionally established and provided with the necessary human, financial and logistical resources. Ultimately, this would require capacity-building for them in terms not only of technical training but also of provision of the necessary technical and financial resources. In view of the modest budgets available for tourism promotion, various solutions could be tried, including the development of regional or subregional portals, at least partially financed by commissions on actual sales. International cooperation by specialized agencies, such as the World Tourism Organization and UNCTAD, would also be needed. Training and capacity-building were viewed as essential, and could be jointly developed and administered by UNCTAD, the World Tourism Organization and specialized training institutions. UNCTAD could also contribute to the development of an international web portal for DMOs, so as to increase their visibility on the Internet.

47. The third topic discussed was information and communication technology and how it can enable e-commerce in the tourism sector. Adequate and up-to-date information and communication technology provides the basic infrastructure for electronic commerce in tourism. Travel technology intermediaries could provide e-connectivity solutions and thereby allow tourism and travel companies to concentrate on core business rather than technology. For instance, it was possible for a tourism producer such as a rent-a-car company or hotel to transmit its capacity to a very wide variety of distribution channels through a single Internet connection. According to some experts, the lack of a terrestrial network could cease to be a problem with the advent of the wireless Internet and low earth-orbiting satellites, and developing countries could then successfully leapfrog into e-commerce. According to other experts, the new technologies could constitute a further obstacle for developing countries, and cooperation was necessary among Governments, businesses and citizens for a successful e-tourism strategy.

48. In addition, the experts discussed the possible consequences for the tourism industry of new technological developments, such as the proposed new top-level domain name ".geo".

49. As regards the strategic options for developing countries, one possible option to overcome the problems of access that were common to many developing countries was Internet kiosks and Multipurpose Community Telecentres (MCTs), which could increase public access to the Internet. MCTs are varied in that they may target different audiences (the elderly, children, young adults, entrepreneurs etc.), and they could be established by a partnership of government, the private sector, non-governmental organizations and international organizations.

50. Also discussed were anti-competitive practices in the tourism industry. These include the selective presentation of seating and room availability in GDSs, high charges for access to computer reservation systems, entry barriers for new competitors on key routes, mergers of tour operators, predatory pricing and exclusivity clauses in contracts for hotel rooms. An Expert Meeting held in UNCTAD in 1998 recommended *inter alia* the adoption of a Tourism Annex to the GATS, which would set out new regulatory disciplines applicable to tourism services. This would be essential for promoting fair competition and for the sustainable development of the tourism industry.

51. A number of experts suggested, among others, the following points for action by UNCTAD:

- Developing analysis of concrete benefits for developing countries provided by e-tourism and promoting awareness of ICT in developing countries;

- Broadening the understanding of policy actions required in the context of the tourism industry and for the adoption of a general policy to foster e-commerce readiness in developing countries;

- Preparing a training package for travel operators from developing countries to enable them to migrate from traditional business to e-business, in cooperation with training institutions and other international organizations;

- Supporting DMOs from developing countries in becoming better able to manage their respective destinations on a long-term basis, by encouraging exchanges of experiences among DMOs from various regions;

- Promoting the visibility of tourism portals in developing countries, possibly by establishing a global, central tourism portal for the benefit of developing countries;

- Convening an Expert Meeting on e-payments and the security of transactions over the Internet, especially as these relate to electronic signatures;

- Exploring ways and means for UNCTAD to act as an incubator for e-commerce and small and medium-sized e-tourism enterprises.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

52. In accordance with the decision of the Trade and Development Board at its twenty-fourth session, on 12 May 2000,[2] the Expert Meeting on Electronic Commerce and Tourism was held at the Palais des Nations, Geneva, from 18 to 20 September 2000. The meeting was opened on 18 September 2000 by Mr. Jean Gurunlian, Director of the Division for Services Infrastructure for Development and Trade Efficiency.

B. Election of officers

(Agenda item 1)

53. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

Chairperson:	Mr. Virasakdi Futrakul (Thailand)
Vice-Chairperson-cum-Rapporteur:	Mr. Patrick Pardo (Switzerland)

C. Adoption of the agenda

(Agenda item 2)

54. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.3/EM.9/1/Rev.1. Accordingly, the agenda for the Meeting was as follows:

1. Election of officers
2. Adoption of the agenda
3. Electronic commerce and tourism
4. Adoption of the outcome of the meeting

D. Documentation

55. *For its consideration of the substantive agenda item (item 3), the Expert Meeting had* before it a report by the UNCTAD secretariat entitled "Electronic commerce and tourism: new perspectives and challenges for developing countries" (TD/B/COM.3/EM.9/2).

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[2] See Report of the Trade and Development Board on its twenty-fourth session (TD/B/EX(24)/3), paragraph 46 and annex III.

E. Adoption of the outcome of the Meeting

(Agenda item 4)

56. At its closing meeting, on 20 September 2000, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting, under the authority of the Chairperson, to include the recommendations adopted by the Meeting (see chapter I) and the Chairperson's summary of the experts' informal discussions (see chapter II). It also decided to include, as annex I, a text entitled "Suggestions by the Latin American countries".

Annex I

SUGGESTIONS BY THE LATIN AMERICAN COUNTRIES

The Latin American countries present at the Expert Meeting on Electronic Commerce and Tourism – Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Peru, Uruguay and Venezuela -- submit the following recommendations for inclusion among the Meeting's conclusions:

1. Our view is that globalization must contribute to sustainable economic growth and sustained development. International cooperation must therefore be directed at efficiently supporting local and regional efforts.

2. The participation of developing countries should be facilitated and increased in the promotion of the tourism image of individual regions or countries and in the marketing of tourism products and services.

3. The major, competitive participation of developing countries should be facilitated by electronic marketing, contributing to the social development of their economies.

4. The following suggestions may also be adopted by other regions of the world in similar geographical, ethnographic, cultural and environmental situations:

   (a) We suggest that multilateral organizations such as UNCTAD and WTO should stimulate technological, financial and academic transfers to developing countries so as to ensure that small- and medium-sized enterprises, which are the most numerous in our economies, may benefit from the opportunities offered by this new economic order;

   (b) We suggest that those multilateral organizations and others with similar aims should convince and invite our countries' Governments to recognize the importance of these developments and should give priority to, and set aside in their official policies, the budgetary and logistic means required to implement these solutions;

   (c) We request those organizations (UNCTAD, WTO and others) to provide the necessary technical, logistic and academic support to implement a South American Internet portal, such as to convey the wealth of natural resources with which we have been endowed, our culture, our historical and architectural heritage, and our natural attractions and modern achievements, as a basis for the development of alternative tourism, which is the subject of growing demand by countries with stronger economies;

(d) In our turn we undertake to develop sustainable and sustained tourism based on the principles of quality, service, security and sound management.

Annex II

ATTENDANCE *

1. Experts from the following States members of UNCTAD were represented at the Meeting:

Albania
Angola
Armenia
Austria
Bahamas
Barbados
Benin
Bolivia
Brazil
Burkina Faso
Cameroon
Chile
China
Colombia
Congo
Costa Rica
Côte d'Ivoire
Cuba
Cyprus
Democratic People's Republic of Korea
Dominican Republic
Ecuador
El Salvador
Ethiopia
Finland
France
Germany
Ghana
Greece
Guatemala
Guinea
Guinea-Bissau
Haiti
Iran (Islamic Republic of)
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Latvia
Lebanon
Madagascar
Malawi
Malaysia
Mauritius
Mexico
Morocco
Myanmar
Netherlands
Niger
Oman
Panama
Peru
Philippines
Qatar
Romania
Russian Federation
Saint Lucia
Samoa
Sao Tome and Principe
Saudi Arabia
Senegal

* For the list of participants, see TD/B/COM.2/EM.7/INF.1

Slovakia
Slovenia
Spain
Sudan
Sweden
Switzerland
Thailand
Togo
Trinidad and Tobago
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
Uruguay
Vanuatu
Venezuela
Yemen
Zambia

2. Palestine attended the Meeting as an observer.

3. The following intergovernmental organizations were represented at the Meeting:

Association of African Trade Promotion Organizations
Arab Labour Organization
League of Arab States
Organization of the Islamic Conference
World Tourism Organization

4. The following specialized agencies and related organization were represented at the Meeting:

International Labour Organization
United Nations Industrial Development Organization
World Trade Organization

5. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions
World Federation of United Nations Associations
World Wide Fund for Nature International
World Vision International

Specially Invited

Association of European Travel Agents